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Sectors: Fostering Competitive Services
Sectors in Developing Countries: SHIPPING
Third session
Geneva, 6 June 1995
Agenda item 7

DRAFT REPORT OF THE STANDING COMMITTEE ON DEVELOPING SERVICES SECTORS: FOSTERING COMPETITIVE SERVICES SECTORS IN DEVELOPING COUNTRIES - SHIPPING ON ITS THIRD SESSION

Rapporteur: Mr. Abdul Wahab Arsad (Malaysia)

INTRODUCTION, GENERAL DEBATE AND ORGANIZATIONAL MATTERS

Speakers:

Deputy to the Secretary-General of UNCTAD
Officer-in-charge of the Services Development Division
Czech Republic
Russian Federation
France (for European Union)
Ghana (for African Group)
FIATA

Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

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INTRODUCTION

1. The Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries - Shipping, established in accordance with paragraphs 70 and 72 of the Cartagena Commitment, held its third session at the Palais des Nations, Geneva, from 6 to .. June 1995. In the course of the session, the Standing Committee held ..... plenary meetings. */

Introductory statements

2. The **Deputy to the Secretary-General of UNCTAD** noted the importance of the Standing Committee's third session at a time when stock was being taken of the implementation of the recommendations agreed at Cartagena and preparations were being made for UNCTAD IX. He stressed the importance of international maritime transport services in enabling the developing countries, particularly the least developed ones, to participate more effectively in the globalization and liberalization processes, emphasizing also that transport efficiency was a prerequisite for trade efficiency.

3. Some coordination and harmonization of policy reform programmes for maritime transport services was called for to avoid a proliferation of policies which could hamper rather than promote development. To assist suppliers of shipping services from developing countries and countries in transition, mechanisms should be developed to manage the process of liberalizing trade in shipping services. A gradual and phased policy of liberalization would enable those countries with national fleets to develop competitive services and thus benefit from trade in shipping services.

4. Multimodal transport operations offered significant benefits to international trade, even though mega carriers could threaten national transport industries. However, the lack of a harmonized international legal environment and of national

multimodal transport regulations often impeded the development of this form of transport. Modern commercial and technical practices used in multimodal transport could allow transport operators from developing countries and countries in transition to improve rapidly the quality and price of services offered and at the same time make greater use of rail, inland waterways and short-sea shipping.

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*/ For the terms of reference of the Standing Committee, see Trade and Development Board decision 398 (XXXVIII), annex B.

5. With the globalization of manufacturing, ports were now playing a key role in the production and distribution process. Inefficient ports and port services could render exporters' goods less competitive in the international market place, and Governments and port authorities thus needed to adopt policies that would contribute to efficient management and sustainable development of ports and related port services.

6. In the field of maritime legislation, work had been carried out with the various sectors of the shipping and insurance industries to reform and simplify certain rules and practices. Presently work was ongoing, via the Joint UNCTAD/IMO Intergovernmental Group of Experts, to review the 1952 International Convention on the Arrest of Sea-going Ships.

7. Technical cooperation had allowed UNCTAD to implement the results of its research work for the benefit of developing countries. In particular he thanked the Governments of Belgium, France and Germany and the European Commission for the support they had given to the Advance Cargo Information System project for logistics management. Emphasis continued to be placed on human resource development to allow developing countries to become self-sufficient. With this objective in view, the TRAINMAR programme was playing a leading role in the development of training capability in developing countries, and he thanked those donors who had made this work possible.

8. The **Officer-in-charge of the Services Development Division** recalled the discussions which had taken place at the second session of the Standing Committee and noted that it had been the general view that, because of its importance, shipping policy reform should be further discussed at the Committee's third session. To assist the deliberations, the secretariat had prepared two background documents, namely "Progressive liberalization and the development of shipping

services in developing countries" (UNCTAD/SDD/SHIP/5) and "Maritime policy reform in the NIS of the former Soviet Union" (UNCTAD/SDD/SHIP/4). In the view of the secretariat, any specific recommendations in the field of shipping should centre around the formulation and implementation of policy reform programmes. The secretariat did not consider it necessary to have a general discussion on the merits or otherwise of the concept of liberalization, although it was useful to have discussions on specific issues such as the management of the liberalization process and the definition of the future role which UNCTAD in general and the Committee in particular could play in the process of liberalization.

9. Liberalization and globalization would be the underlying themes of UNCTAD IX. In his opinion globalization could only take place if there was an effective transport system to support it. The secretariat strongly believed that the formulation of national and international measures to promote growth and sustainable development required the support of maritime transport.

10. Human resources development had been given prominence in the work of the secretariat, since for developing countries to achieve economic development, it was indispensable to enhance the skills and knowledge of the workforce. To this end, the Division had established various programmes, the most prominent of which was TRAINMAR, which had been in existence for more than a decade and from which many employees in the maritime industry in developing countries had benefited.

11. The Division had been working on the medium-term budget for the biennium 1996-1997. This had required anticipating the results of the current session of the Committee and of UNCTAD IX. He assured the Committee that the secretariat would be prepared to fulfil the work programme established for it within the resources allocated to it.

12. Referring to suggestions made at the Committee's second session concerning transparency, he pointed out that the secretariat had produced a review of the Division's activities (TD/B/CN.4/Misc.10), and he hoped that the Committee would examine the contents of the document and make suggestions as appropriate. He informed the Committee on the collaboration with the International Maritime Organization, and in this connection he said that, as a result of the adoption by the United Nations Conference on Environment and Development of Agenda 21 of Chapter 17 of its Programme, dealing with ocean affairs, the Secretary-General of the United Nations was required to report on the implementation of that particular aspect of the Programme to the General Assembly in 1997. To assist the Secretary-

General in that respect, UNCTAD was expected by the other agencies to assist in the development of ideas and possibly mechanisms through which some of the costs of environmental actions could be recovered for the providers of certain specific services. One of the practical issues that UNCTAD and IMO were dealing with jointly was the development of a system by which costs for providing reception facilities for oily waters to tankers in their loading ports could be recovered. He believed that a progress report on this issue would be discussed in the forthcoming IMO Council. There were other issues under discussion in the area of coastal management, which was linked to the Barbados Plan of Action and for which UNCTAD had responsibility.

Chapter I

GENERAL DEBATE

13. The representative of the **Czech Republic** informed the Committee about the situation of the transport sector in his country, the location of which meant that it had an important role to play in the trade of Europe. The transport reforms that were taking place in his country went hand in hand with the economic reforms being undertaken since 1990; the Czech parliament had already enacted new legislation on road traffic, railways and inland navigation, and new legislation on civil aviation and ocean navigation was being prepared. The Czech transport infrastructure was important for the integration of European transport networks. He also informed the Committee about the programme for the construction of a network of motorways, railways and airports.

14. Referring to multimodal transport, he noted that in the short history of multimodal transport in the Czech Republic, conditions had not been right for the development of this system, which was now applied all over the world. However, due to pressure from its trading partners, the Czech Republic was now forced to containerize. The main problems hindering multimodal transport operations continued to be poor infrastructure and border-crossing operations and regulations. To solve some of these problems, efforts would have to be made in respect of coordination of border-crossing procedures, liberalization of terminal operations, road haulage, government support in the provision of terminal infrastructure and operations and the development of multimodal transport operators. Such efforts were currently being made within the framework of a programme established by the Ministry of Transport.

15. The representative of the **Russian Federation** said that UNCTAD and its Standing Committee on Developing Services Sectors had an important role to play in establishing sustainable and equitable cooperation in the field of maritime transport, excluding all forms of discrimination and economic sanctions. The UNCTAD secretariat had prepared high-quality documentation for the Committee's session, but in that connection he suggested that, in its future activities, the secretariat should make recommendations on the improvement of maritime transport, taking into account the needs of countries in transition. The recent developments in the shipping policies of his country were closely linked with the profound changes in the economic environment, for example privatization, conversion of state enterprises into shareholding companies and free pricing, which were directed

towards the creation of a competitive environment. At the same time, a licensing system had been introduced in the maritime sector and for related activities. Work was being carried out on a new maritime code, on adherence to the Paris Memorandum on Ports, and on signing maritime agreements with the other Republics of the former Soviet Union. He considered that, with the creation of the World Trade Organization, UNCTAD and its Standing Committee on Developing Services Sectors should take an innovative approach to the problems of world maritime transport and develop effective cooperation with other international organizations.

16. The representative of **France**, speaking on behalf of the **European Union**, said that maritime transport played an important role in world transport. It carried a substantial part of international trade, and at the same time contributed to economic development. The European Union had welcomed the adoption of the Cartagena Commitment in 1992, which permitted UNCTAD to address concrete issues of maritime transport with a view to the promotion of market-oriented policies. The advantages of open markets were now more accepted as allowing efficient and competitive maritime transport services. The European Union was convinced that economic development was ill-served by protectionist maritime policies, since they distorted markets and increased costs.

17. The third session of the Standing Committee was taking place at an important time in the life of UNCTAD. For example, with regard to its work on liberalization, consideration had to be given to the work of the World Trade Organization. The Committee also had to consider the future of UNCTAD in the context of the work of UNCTAD IX. He emphasized that UNCTAD remained an unequalled forum for negotiations between developed and developing countries, and within the United Nations it was the only body with competence in maritime matters.

18. The work of UNCTAD in maritime transport would succeed if a number of conditions were met, namely universal participation by as many parties as possible, particularly developing countries, the setting of realistic goals and the completion of programmes before embarking on new initiatives. He suggested that, in this connection, the programmes on training and human resources development must be encouraged so as to meet the needs of developing countries.

19. The representative of the **European Community**, referring to document TD/B/CN.4/48, said that, with regard to the impact of progressive liberalization on the development of shipping services, he had serious doubts that the Committee could embark on the harmonization of liberalization policies, or establish a

regulatory mechanism for liberalization and privatization. He pointed out that each country found itself in a situation where it had to take measures suited to its particular circumstances. He also pointed out that there was a risk of interfering with the GATS negotiations at the WTO, where the approach taken was one of negotiating commitments of individual countries rather than trying to determine a harmonized approach to liberalization. In his view, a harmonized approach should be avoided both as a matter of principle and on practical grounds.

20. With regard to changes in national practices covering shipper/ocean-carrier relations and specifically the suggestion to formulate and implement consumer policies with regard to shipping services, he said that, as long there existed effective competition, he saw no reason why government intervention would be necessary to ensure high-quality, low-price shipping services. Furthermore, in the view of the Commission, a redefinition of the role of shippers' councils in developing countries should not be the task of governmental or intergovernmental bodies, since it was precisely that approach which had led to the current unsatisfactory situation in some of the developing countries. In his view, the redefinition should be left to professional organizations, although during the discussions in the Committee the possible role to be played by UNCTAD could be considered.

21. With regard to ship financing, the report of the secretariat confirmed the view of the Commission that it was the commercial soundness of a project that counted rather than whether a company was from a developed or a developing country. On the issue of ports and port services, he noted that useful work had been carried out, and the Commission was prepared to look in detail at the initiatives which the UNCTAD secretariat was suggesting.

22. Concerning multimodal transport (TD/B/CN.4/46), with regard to the recommendations made concerning the impact of multimodal transport systems and tariffs on trading opportunities in the context of liberalization and privatization, the Commission would give close consideration to any views that might be expressed by representatives of the industry before considering requests arising from the deliberations of the Committee. As regards developments in containerization and related transport technology, specifically the impact of MT systems and tariffs on trading opportunities in the context of liberalization and privatization, he agreed on the usefulness of continuing to monitor developments. However, he doubted the need for the proposed seminar on the basis of the mandate given to the Committee. Referring to chapter 2 of document TD/B/CN.4/46 on future

work on multimodal transport, he appreciated the effort made in undertaking a wide-ranging survey of issues, but he was reluctant to accept the programme, which was ambitious and the need for which had not been demonstrated in relation to the mandate given to the Committee. He also recalled that, in adopting its programme of work, the Committee had not wished to approve the activities which were being proposed, and in particular he cast particular doubt on some of the "general policy issues" on the list, although some of them would appear to be useful. Specifically, the European Commission believed that there was no particular interest in global harmonization of multimodal transport legislation. As regards the development of telematics and software tools, he believed that, without the application of such technologies, shipping companies and multimodal operators of developing countries would be at a competitive disadvantage, and he therefore welcomed the suggestion to monitor and to distribute information on technological developments in the industry in developing countries, in close collaboration with other international organizations.

23. On maritime and transport legislation, he said that he would like to see UNCTAD concentrate its activities on monitoring legal problems encountered by developing countries in the field of shipping. Document TD/B/CN.4/48 envisaged the undertaking of substantive work relating to legal aspects of ship leasing in developing countries in order to prepare model legislation as guidelines for developing countries and promote awareness on the operation and functioning of ship leasing. Concerning the first issue, namely model legislation, only experts in the area of ship leasing could give proper opinions and, in any case, such work, if needed, would be within the competence of international organizations dealing with legal work. On the other hand, the promotion of awareness on the operation and functioning of ship leasing was appropriate.

24. Finally, with regard to strengthening technical cooperation and human resource development (TD/B/CN.4/47), he noted that this type of activity was potentially very helpful to developing countries, and the Commission took a generally positive view of the work of the UNCTAD secretariat in this area. The Commission continued to attach importance to technical cooperation, which had also been endorsed by UNCTAD VIII. He underlined that such technical cooperation was meant to support and assist developing countries in identifying their weaknesses and capabilities in the services sector and making it more competitive.

25. The spokesman for the **African Group** (Ghana) acknowledged the important role played by UNCTAD in the development of the maritime transport sector. He noted

that the World Trade Organization provided a framework for opening world markets, while UNCTAD provided a framework for the orderly development of economies and the transport sector. The principles established in WTO, for example national treatment, required studies and guidance. He suggested that competition rules should be looked at in order to assist operators in developing countries. He also acknowledged the role of UNCTAD in developing the Advance Cargo Information System, which he considered to be an instrument for liberalization. He noted that the Railtracker and Harbourmaster systems had started to have an impact in some developing countries. He pointed out that, while liberalization might promote efficiency, poor management had always been a main cause of lack of competitiveness in developing countries. He therefore suggested that training was a critical requirement. He noted that programmes carried out by the World Bank, because they relied on aggregated statistics, tended to obscure the needs of individual countries, and it was important to give due consideration to the differences that existed between different countries. Finally, he referred to proposals being made by developed countries to do away with shippers' councils in developing countries. In this connection he noted that developing countries required special arrangements to support competition, and further review of this question was therefore required.

26. The representative of the **International Federation of Freight Forwarders Associations** (FIATA) stressed that freight forwarders acted as carriers accepting overall responsibility for the transport chain and, by issuing a single transport document, for instance the FIATA Multimodal Transport Bill of Lading, backed up by a liability insurance cover, were becoming MTOs. He supported UNCTAD's view that privatization of state-owned transport enterprises would increase their efficiency. He stressed that any inland price fixing cartel operated by maritime carriers would eliminate free competition in multimodal transport to the detriment of shippers and would be harmful to multimodal transport providers, especially in developing countries. FIATA viewed the formation of joint ventures between freight forwarders from developing and developed countries as a useful tool to overcome structural weaknesses. However, joint ventures should also promote training as a means of increasing freight forwarders' professional status in developing countries, if necessary. Regarding the creation of national trade and transport facilitation committees, FIATA felt that such a consultation mechanism could contribute to the removal of obstacles and promote multimodal transport. However, it should not impede the flexibility of freight forwarders and transport operators. He felt that the establishment of voluntary minimum standards for MTOs would constitute an inflexible frame and would not prevent fraudulent actions. FIATA was of the opinion that it would be necessary to harmonize the introduction of multimodal

transport legislation in the different parts of the world on a contractual basis within the freight forwarding industry itself. He suggested that harmonization of multimodal transport legislation at the global level could be undertaken by UNCTAD with the assistance of FIATA. Regarding container standards, he felt that the freight- forwarding industry was interested in as few internationally accepted dimensions as possible. To reduce the negative effects of transport on the environment, he offered FIATA's cooperation in the development of appropriate strategies. Finally, he noted that FIATA did not consider quality assurance as the main thrust for improved competitiveness of multimodal transport providers, but suggested that training should play a major role in the improvement of the professional status of transport providers.

Chapter V

ORGANIZATIONAL MATTERS

A. Opening of the session

27. The third session of the Standing Committee on Developing Services Sectors (Shipping) was opened on 6 June 1995 by Mr. M. Meynet (France).

B. Election of officers

(Agenda item 1)

28. In accordance with the rules of procedure of the main Committees of the Trade and Development Board and the decision taken by the Board at the first part of its thirty-ninth session, the Standing Committee on Developing Services Sectors (Shipping), at its 10th (opening) meeting on 6 June 1995, elected the officers to serve on the Bureau of the third session as follows:

Chairman:	Mr. Sergio García Torres	(Colombia)
Vice-Chairman:	Mr. Paolo Octavio de Paiva Almeida	(Brazil)
	Mr. Krysztof Dabrowski	(Poland)
	Mr. Andrew Togba Davies	(Liberia)
	Mr. Douglas Pelkola	(Canada)
	Mr. Stefan Schimming	(Germany)
Rapporteur:	Mr. A. Wahab Arsad	(Malaysia)

C. Adoption of the agenda and organization of work

(Agenda item 2)

29. Also at its opening meeting, the Standing Committee adopted the provisional agenda circulated in TD/B/CN.4/45 and endorsed the suggestions therein for the organization of work. The agenda for the third session therefore read as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Fostering competitive multinational transport services

4. Strengthening technical cooperation and human resource development

5. Review of the work programme of the Standing Committee, with special emphasis on the preparations for UNCTAD IX

6. Other business

7. Adoption of the report of the Standing Committee (Shipping) to the Trade and Development Board.

D. Adoption of the report of the Standing Committee (Shipping) to the Trade and Development Board

(Agenda item 7)

[To be completed]

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Agenda item 7

DRAFT REPORT OF THE STANDING COMMITTEE ON DEVELOPING SERVICES SECTORS: FOSTERING COMPETITIVE SERVICES SECTORS IN DEVELOPING COUNTRIES ON ITS THIRD SESSION

Rapporteur: Mr. Igor Vencel (Slovakia)

INTRODUCTION AND ITEMS 1, 2, 3 and 4

Speakers: Deputy to the Secretary-General of UNCTAD
Chairman
Secretariat
FUINCA
Tunisia (for African Group)
Egypt

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INTRODUCTION

1. The Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries held its third session at the Palais des Nations, Geneva, from 25 to 29 September 1995.

2. In the course of its session, the Standing Committee held ... formal plenary meetings (11th to ...th) and .... informal meetings.

Opening statements

3. The **Deputy to the Secretary-General of UNCTAD** noted that the current session was the last before UNCTAD IX where "Promoting international trade as an instrument for development in the post-Uruguay Round world" would figure prominently on the agenda particularly in regard to capacity-building in the developing countries' services' sector and the expansion of trading opportunities maximizing the developmental impact of globalization and liberalization of trade. The perception that developing countries could compete more effectively in the world market for services if they had better access to distribution channels and information networks had led to commitments being made under the General Agreement on Trade in Services (GATS). This concern was likewise reflected in the Cartagena Commitment and hence in the Standing Committee's work programme. However, along with the new opportunities there were new challenges. Most developing countries were finding it hard to mobilize the negotiating strength necessary to exercise their rights under GATS when dealing with transnational corporations and their home countries. Moreover, many issues fell outside the scope of intergovernmental negotiations. National policies could play a strong role and developing country Governments were being strongly encouraged to direct their efforts towards fortifying the negotiating position of their private firms, for example in seeking improved access

to proprietary services' distribution networks. Modernization and expansion of infrastructure, especially telecommunications, information services and human resources development, emphasizing knowledge-intensive services, were important in this regard. Firms could be established to provide services to facilitate access to networks. Problems related to the temporary movement of persons still needed to be resolved. To this end, transparency and predictability of regulations were deemed essential. In addressing agenda items 3 and 4, the Standing Committee would be focused on the "modes of supply" most readily available to developing countries in their efforts to penetrate world markets for services and integrate into the process of globalization of trade.

4. He then outlined the progress made on the implementation of the work programme, including refinement of the MAST database on laws and regulations affecting trade in services. Technical assistance had been provided in regard to regional and subregional cooperation agreements on services. UNCTAD in cooperation with UNDP had also been providing technical assistance to developing countries on the design of national policies to strengthen the sector. He reiterated the call made at the second session for the establishment of a trust fund in UNCTAD devoted to technical assistance, and reported that several donors had already come forth in support of this effort, namely, the Government of France, the Carnegie Foundation of the United States and the IDRC of Canada.

5. In closing, he emphasized that the ability of developing countries to foster the services needed for efficient, innovative production, to develop their competitive capacities and to overcome the barriers to their services exports was the key factor in maximizing the developmental impact of globalization. Whatever the Standing Committee could do to advance understanding and consensus on the issues would form a central contribution to meeting the challenges.

6. The **Chairman** drew attention to the importance of the work programme set for the Standing Committee in Cartagena. The two key issues on the agenda for the present final session before UNCTAD IX related to access to networks and liberalization concerns and difficulties facing developing countries in increasing their participation in world trade in services. The progress report prepared by the secretariat on the implementation of the work programme was also before the Committee for its consideration of the future orientation of work in preparation for UNCTAD IX, in the context of paragraph 76 of the Cartagena Commitment. She pointed out that the current session constituted essentially only the second substantive session. Owing to constraints of time and resources, the Standing Committee would not be able to cover its entire work programme. The outcome of the work to date and especially the two main agenda items held particular relevance for

the theme of UNCTAD IX, namely globalization and liberalization. Increased participation of developing countries in world trade in services, notably through information networks and via the temporary movement of persons, was crucial to the efforts of developing countries to draw benefits from the process of globalization. The Cartagena Commitment recognized that the development of competitive services warranted the support of the international community. This concept found its way into GATT which takes account of the asymmetry of competitive positions and delivery capabilities of services as between developed and developing countries in its balance of rights and obligations, notably in article 4. The impact of progressive liberalization in the field of services merited thorough consideration. Furthermore, looking at ways of enhancing information networks and distribution channels involved more than putting into effect or rendering article IV B operational. While improving access to international networks was one of the commitments under article IV, others should also be examined.

7. She then noted that her personal involvement in the recent sectoral negotiations under GATT had made her aware of the need of developing countries for more information about the barriers facing their trade in services so as to permit their effective participation in such negotiations. Information was also vital for negotiations in the regional context. UNCTAD through the Standing Committee had contributed and should continue to contribute to fulfilling that objective. The work of the Standing Committee had also led to a clearer identification of the opportunities presented to the developing countries to exploit and enhance their comparative advantage in labour and skills in essential services which could be delivered through information networks. It had also assisted in the identification of the prerequisites for liberalization of trade in services in terms of regulatory structures and capacity-building. These issues had been clearly reflected and carefully studied in the documentation before the session. She believed, however, that their complexity and importance would probably - without in any way prejudging the outcome of discussions during the current session - necessitate further work by delegations, with a view to enabling the developing countries to extract maximum benefit from the externalization of services in the production process as well as help them build the necessary infrastructure and capacity to make better use of the opportunities available to them, particularly in those service sectors where they held a comparative advantage.

8. The session would be devoted to clarifying the issues involved so that a clear message could be sent to the Trade and Development Board in the report of the session. This would help identify the decisions to be taken at UNCTAD IX. At the

current juncture, it was necessary to assess what had been done in terms of implementing the Cartagena Commitment and so set the stage for dealing with the unfinished business and engender new ideas to make the work fit better into the new multilateral trading system now evolving within the framework of the new commitments in the Uruguay Round and the perceived difficulties in their implementation, particularly for developing countries.

9. She then announced that informal meetings during the session which were to have benefited from the participation of a panel of experts had been unavoidably altered due to a budget freeze affecting travel. Last-minute arrangements were being made to allow some members of the panel to make their presentations from their home countries over telecommunications links. A presentation of the revised version of the MAST database would also be given during the informal meetings. The progress report and the elements of the report to the Trade and Development Board would be discussed during the session.

Chapter I

WAYS OF ENHANCING ACCESS TO AND USE OF INFORMATION NETWORKS AND DISTRIBUTION CHANNELS

(Agenda item 3)

IMPACT OF PROGRESSIVE LIBERALIZATION AND OF SERVICE IMPORTS ON THE DEVELOPMENT OF COMPETITIVE SERVICES SECTORS, AND THE DIFFICULTIES FACED BY DEVELOPING COUNTRIES WHICH PREVENT THEM FROM INCREASING THEIR PARTICIPATION IN WORLD TRADE IN SERVICES

(Agenda item 4)

10. At its 11th plenary meeting on 26 September 1995, the Standing Committee decided to take up agenda items 3 and 4 together. For its consideration of these agenda items, the Standing Committee had before it the following documentation:

> "Ways of enhancing access to and use of information networks and distribution channels," report by the UNCTAD secretariat (TD/B/CN.4/42);
>
> "Impact of progressive liberalization and of service imports on the development of competitive services sectors, and the difficulties faced by developing countries which prevent them from increasing their participation in world trade in services," report by the UNCTAD secretariat (TD/B/CN.4/43).

11. The **Chief of the Services Section** in introducing TD/B/CN.4/42 pointed out that the belief that developing countries could compete more effectively in the world market for services if they had better access to distribution channels and information networks led to certain commitments in favour of developing countries being included in the GATS and in the Cartagena Commitment. Technological advance and the process of globalization had undoubtedly created both new opportunities and new challenges for developing country exporters of services, as information networks were becoming distribution channels for the export of labour-intensive services. In its report, the secretariat had drawn upon the contributions made in the Group of Experts, which met in Madrid from 1 to 3 February 1995 with the support of Fundacion Espanola para la Promotion de la Informacion Automatizada (FUINCA). Several services sectors which traded through information networks had

been examined at that meeting with a view to better understanding and identifying practical problems faced by developing countries.
These had differing impacts, depending on the sector concerned, the dominant position of transnational corporations, the progressive integration of producer intermediaries and outlets, the existence of new forms of anti-competitive practices, limited communications capacity, inappropriate regulations and restrictions in telecommunications and information sectors, over-elaborate protocols for access and security measures, inadequate intellectual property protection, high costs for small users, lack of skills and necessary equipment, lack of knowledge about information networks, export controls, language barriers, and restrictive immigration laws impeding the complementary movement of technical personnel. Some of these problems could be dealt with at the national level through the formulation of "access strategies", others required action at the international level, including in the context of GATS. The developing countries required the support of the international community in addressing these problems.

12. In introducing TD/B/CN.4/43, he noted that the issue of the impact of progressive liberalization and of service imports in the development of competitive service sectors had been examined in earlier UNCTAD documentation. The report thus concentrated on identifying appropriate complementary policy measures which developing countries might take to strengthen the competitiveness of their service sectors in support of the process of liberalization. As requested at the second session, the examination of the difficulties faced by developing countries in increasing their participation in world trade in services focused on problems relating to the temporary movement of persons. The analysis, which took account of the results of the recently concluded negotiations under GATS auspices, had stressed the need for transparency and predictability in the application of immigration regulations to permit service suppliers in developing countries to draw effective benefits from these GATS commitments, and, in general, increase their participation in the global search for expertise through globalization. A series of specific problems were identified relating to the use of economic needs tests and other criteria for temporary entry. The report had likewise "floated" certain ideas as to how adverse impacts on developing country service suppliers could be mitigated.

13. The representative of **FUINCA** (Fundación Española para el Fomento de la Información Automatizada) and director of sectoral and international programmes reported on the Expert Group Meeting on Access to and Use of Information Networks and Distribution Channels which took place in Madrid from 1 to 3 February 1995, held jointly by FUINCA and UNCTAD. The meeting had been attended by 30 experts who

discussed the problems and possible solutions related to the development of adequate infrastructure and technical capacity by developing countries so as to obtain "effective access" to information networks and distribution channels. The discussions drew on general or horizontal issues as well as on specific experience from areas as varied as business and professional services, audiovisual services, tourism and transport, as well as networks and their regulatory implications. Among the major barriers identified were: (a) market concentration, (b) restrictions related to data protection and trade in software, (c) discriminatory practices in access to basic telecommunications networks which subjected foreign service providers to unfair restrictions on use of equipment, licensing requirements and interconnection to domestic networks, (d) lack of control over cartel practices of domestic providers of proprietary networks, and (e) high cost for small users. He underlined that the Expert Group had concluded by highlighting the need for developing countries to adopt a strategy for obtaining effective access to networks and distribution channels, including policy measures at the national and international levels. At the national level, the development of telecommunications and computer-related infrastructure remained a priority. The enhancement of human capital through higher educational facilities as well as through improved training was of major importance. At the international level, there was a need for multilateral efforts to make the provisions of Article IV of the GATS effective and operational. For this, a set of multilateral principles including a code of conduct that would facilitate equitable access to and effective use of information networks and distribution channels would need to be formulated and accepted multilaterally. In appropriate international forums, developing countries might also need to press for the acceptance of international standards rather than national and regional ones. In closing he emphasized that FUINCA would continue supporting UNCTAD's work in this area and other technical assistance projects of common interest.

14. The spokesman for the **African Group** (Tunisia) noted the relevance of the agenda with its focus on the technological revolution and the difficulties faced by developing countries in trying to increase their participation in world trade in services. The UNCTAD secretariat in TD/B/CN.4/42 had underlined the increasing importance of access to and use of information and distribution channels. The Committee on Science and Technology for Development was also emphasizing, over the next two years, information technology. The UNCTAD report had also noted that some developing countries were encouraging cooperation with foreign firms, in order to increase their services exports and strengthen their national skills. However, no African countries were as yet cited in this category. Cooperation with foreign

firms with a view to accessing information networks and distribution channels seemed to be the shortest way to international markets. Given the domination of markets by firms from developed countries, some developing countries might have been inclined to resist liberalization in the services sector at both national and regional levels. Nevertheless, in view of the strategic role of services in the development process, developing countries had joined in the GATS, which broadly responded to their specific needs and would enable them to benefit from the process of progressive liberalization. While globalization of production had offered developing countries the possibility to participate in the supply of various services with their comparative advantage of low costs, significant barriers still remained. As the UNCTAD report underlined, the main difficulty faced by developing countries in their efforts to access and use information and distribution channels was their lack of technological, financial and human resources, a particular hindrance in the tourism sector, an area vital to developing countries. In order to overcome these difficulties, the UNCTAD report had recommended international cooperation and strategies to solve specific problems. African countries in particular needed financial and technical assistance from the international community in order to acquire appropriate technologies, as well as a better knowledge of market mechanisms, for modernizing their telecommunications infrastructure and becoming more competitive. Special consideration in this regard should be given to the least developed countries (LDCs). UNCTAD should attempt to identify sectors for which the LDCs had a comparative advantage, such as movement of natural persons across borders, in particular skilled persons, as well as the best ways to strengthen the services sector. Such work could also assist the LDCs in negotiating their schedules in the GATS. The African Group called for respect and consolidation of advantages accorded to developing countries under Article IV of the GATS.

15. The African Group deemed the case studies prepared by the UNCTAD secretariat - some of which concerned African countries - useful in identifying specific problems of each country and each sector, and supported the activities of UNCTAD in this area. It would be helpful if these studies eventually went beyond analysis to propose practical recommendations and concrete measures as well. Despite the fact that the services market was dominated by firms from developed countries, it was known that developing countries which had liberalized their economies could, with some assistance, gain access to international markets and become integrated into the global economy.

16. In reference to the considerable achievement made on the work programme, she said that her Group considered the technical cooperation programme, in general, and the Coordinated African Programme of Assistance on Services (CAPAS) in particular, to be a matter of high priority. She then expressed satisfaction with progress on the MAST database. In closing she reaffirmed the African Group's support for efforts to fulfil the Standing Committee's mandate under the Cartagena Commitment, taking into account the conclusion of the Uruguay Round.

17. The representative of **Egypt** underscored the complexity of the issues facing the international community, in general, and developing countries in particular, with regard to the services sectors. However much work remained to be done so as to address fully the objectives agreed upon in Cartagena; several new emerging issues should be studied seriously and acted upon for developing countries to be able to compete successfully in the services sectors. Commenting on the reports under consideration, he expressed his appreciation for the efforts of the UNCTAD secretariat in revising the MAST database and declared that his country was willing to cooperate with UNCTAD in this area. The questionnaire prepared by the UNCTAD secretariat with the objective of identifying policy options for developing countries to strengthen their service sectors would be sent to the pertinent national authorities for action. He underlined the importance for Egypt of the issue of the temporary movement of persons and regional cooperation. Given the great importance that his country attached to the role of joint ventures for stimulating the services sectors in developing countries, he suggested further studies be aimed at understanding the issues and assisting developing countries in formulating policies that would help them increase their services exports. UNCTAD had an important role to play in assisting developing countries to reap benefits from the provisions of GATS in their favour. Finally, he said that his country supported the proposal to establish a trust fund to enable UNCTAD to continue its technical assistance programmes to strengthen developing countries' production and trade capacity in services.

Chapter II

PROGRESS REPORT BY THE SECRETARIAT ON THE IMPLEMENTATION OF THE WORK PROGRAMME OF THE STANDING COMMITTEE, WITH SPECIAL EMPHASIS ON THE PREPARATION FOR UNCTAD IX

(Agenda item 5)

[To be completed]

Chapter III

ORGANIZATIONAL MATTERS

A. Opening of the session

.. The third session of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries was opened by Mr. Z. Baltacioglu (Turkey), in the absence of the Chairman of the second session.

B. Election of officers

(Agenda item 1)

.. At the opening plenary of the third session, on 25 September 1995, the Standing Committee elected its bureau as follows:

Chairman:	Mrs. Magda Shahin	(Egypt)
Vice-Chairmen:	Mr. D. Sinha	(India)
	Ms. J. Stewart	(Jamaica)
	Mr. G.T. Senadhira	(Sri Lanka)
	Mr. M. Aaltola	(Finland)
	Mr. J. Piotrowski	(Poland)
Rapporteur:	Mr. Igor Vencel	(Slovakia)

C. Adoption of the agenda and organization of work

(Agenda item 2)

.. At its opening plenary, the Standing Committee adopted the provisional agenda for its third session (TD/B/CN.4/41), as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Ways of enhancing access to and use of information networks and distribution channels

4. Impact of progress liberalization and of service imports on the development of competitive services sectors, and the difficulties faced by developing countries which prevent them from increasing their participation in world trade in services

5. Progress report by the secretariat on the implementation of the work programme of the Standing Committee, with special emphasis on the preparation for UNCTAD IX

6. Other business

7. Adoption of the report of the Standing Committee to the Trade and Development Board.

D. Adoption of the report of the Standing Committee to the Trade and Development Board

(Agenda item 7)

[To be completed]

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Standing Committee on Developing Services
Sectors: Fostering Competitive Services
Sectors in Developing Countries
Third session

Agreed Recommendations of the Standing Committee

The increased participation of developing countries in world trade in services is essential for their deriving benefits from globalization and continuing to participate actively in the process of progressive liberalization of trade in services. To this end, the Standing Committee agreed that future work in UNCTAD should be oriented toward assisting developing countries to strengthen their capacities in the services sector and to identify clearly the opportunities for their services exports, as well as the barriers and impediments to their ability to compete in world markets. Work should focus on measures to overcome these difficulties, including by enhancing the negotiating capacity of developing countries in obtaining greater market access in sectors and modes of supply of export interest to them. Particular attention should be given to the problems of the least developed countries (LDCs) in strengthening capacities in the services sector.

Contributions should be encouraged to be provided to the Trust Fund to support timely technical cooperation activities as well as assisting developing countries in formulating policy measures to strengthen their capacities in production and trade in services.

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It was agreed that future work could focus on the following issues while avoiding duplication with other intergovernmental bodies:

1. The impact of subsidies, government procurement, safeguards and anti-competitive practices on development of competitive services sectors in developing countries and trade in specific service sectors and the improvement of information on current practices in these areas, taking into account the on-going work in the WTO.

2. Studying and analysing the trading opportunities made available as a result of market access commitments on temporary movement of natural persons in the GATS and the effectiveness of such access, as well as barriers which impede effective temporary movement of service suppliers.

3. A sustained result-oriented approach in dealing with the problems faced by developing countries in enhancing their access to and use of information networks and distribution channels.

4. Strengthening and making operational the Database on Measures Affecting Service Trade (MAST) with the cooperation of UNCTAD Member States, international and regional organizations and the private sector. In this context, priority should be given to (a) areas of on-going negotiations at the multilateral and regional level, (b) responding to requests for cooperation from countries and regional and sub-regional arrangements and (c) disseminating the MAST, in particular to the private sector.

5. Studying how to achieve concretely the development objectives of GATS, in particular as provided for in Articles IV and XIX.

6. The implications of environmental measures for the services trade of developing countries.

7. Evaluation of modalities and policies aimed at promotion of regional, subregional and interregional cooperation on services, including among countries at different levels of economic development.

8. The impact of economic integration arrangements on the service sectors of other countries, in particular on those of developing countries.

9. The improvement of statistics on trade in services especially in the context of on-going work in the Inter-Agency task force, with particular attention to the necessary conceptual work required for building a unified statistical system.

10. Strengthening the technical assistance capacity of UNCTAD with the objectives of: (a) development of human resources and national capacity in services; (b) organizing, developing and modernizing infrastructure; (c) promotion of an environment that will attract private investment; (d) improving negotiating capacity in the WTO, (e) support to developing countries in the on-going negotiations on specific services sectors, and in the future negotiations on services foreseen in the GATS; and (f) development of an appropriate legal and regulatory framework conducive to the development of competitive services sectors taking into account developing countries' multilateral obligations. All UNCTAD technical assistance activities related to trade in services should be closely coordinated with other relevant organizations working in this field.

In this regard, the CAPAS Project proved to be highly fruitful and thus should be strengthened and expanded to incorporate the other African countries, in particular the LDCs. Similar projects should be developed and adapted to the needs of other developing countries.

11. To study and analyze problems and opportunities faced by the interested countries undergoing transition to a market economy in improving the role of services in their economies, with a view to increasing their trade in services and identifying issues for possible international action.

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Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries - Insurance
Third session
Geneva, 13 November 1995
Agenda item 7

[INSURANCE]

DRAFT REPORT OF THE STANDING COMMITTEE ON DEVELOPING SERVICES SECTORS: FOSTERING COMPETITIVE SERVICES SECTORS IN DEVELOPING COUNTRIES - INSURANCE - ON ITS THIRD SESSION

Rapporteur: Mr. Edo Syarifuddin (Indonesia)

INTRODUCTION AND ITEMS 3, 4 and 5

Speakers: Chairman
Deputy to the Secretary-General of UNCTAD
Chief of the Insurance Programme
Spain (for European Union)
Chile
China
Jordan
Egypt
African Insurance Organisation

Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated **by Wednesday, 22 November 1995 at the latest** to:

The UNCTAD Editorial Section
Room E.8104
Fax No. 907 0056
Tel. No. 907 5656 or 5655

INTRODUCTION

1. The Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries: Insurance held its third session at the Palais des Nations, Geneva, from 13 to 17 November 1995.

2. In the course of its session, the Standing Committee held ... formal plenary meetings and ... informal meetings.

Opening statements

3. The **Chairman** said that insurance had become an essential mechanism of modern societies for the protection of persons and goods. In a majority of countries, the insurance sector had also become a major institutional investor, and as such its role in development and economic growth could not be ignored, either at the country level or at the international level.

4. With regard to agenda item 3, prudential regulation and measures for the protection of insurance consumers within the framework of market liberalization merited strong support. The quasi monopoly situation which had recently still existed in many developing countries had left supervisory authorities with only a secondary role, which was often limited to the compilation of statistics. The establishment of a competitive market required a profound change in regulations and in the methods and spirit of supervision. The new rules had to be clear, equitable and transparent, and they had to create a favourable environment for the development of the insurance sector, free of excessive constraints which could discourage the investment of capital and expertise, in particular as regards foreign operators in the sector.

5. With regard to agenda item 4, he felt that, beyond the established knowledge of the international markets which covered catastrophic risk, much remained to be done in many countries to better determine the technical foundations on which this type of insurance rested. It was not possible to establish a viable premium rate without knowing the extent of the risks and the values and the accumulation of goods exposed to such events. The UNCTAD studies in this respect were revealing and of high didactic value.

6. The UNCTAD secretariat had also prepared background documents on credit guarantee funds for SMEs in developing countries and on the financial implications of agricultural insurance, and he hoped that the Committee could approach these subjects, which also formed part of its work programme. Finally, he drew attention to the fact that the cycle of meetings set up by UNCTAD VIII in Cartagena had come to an end and that an evaluation of the work completed by the Committee would thus be necessary.

7. The **Deputy to the Secretary-General of UNCTAD** said that the work of UNCTAD in the field of insurance was based on the conviction that there was a positive synergy between the development process and the prevalence of insurance. In that connection, UNCTAD IX would examine the opportunities, as well as the risks, for growth and development offered by globalization and liberalization. The three substantive topics of UNCTAD IX were highly relevant to the work of the Standing Committee; they were development policy and strategy in an interdependent world, promoting international trade as an instrument for development, and promoting enterprise development. Because of its implications for development, insurance should be an integral component of development policy and strategy. Regarding trade, the issue of insurance as a promoter of trade efficiency was a fundamental one. Insurance was also an instrument that helped mitigate the inevitable risks that entrepreneurship carried.

8. The forces of nature remained a serious threat to the economic progress of many developing countries. The development process created and supported the trend towards the concentration of property and population in industrial and urban areas and critically enlarged catastrophic risk and the risk of environmental degradation. This created the need for government policy responses and national risk management for catastrophes and large risks.

9. The human resources in the insurance sectors of many developing countries required upgrading, and important fields in that respect would include credit and creditor insurance, product liability insurance, product distribution, underwriting skills, actuarial skills and surveying. Management and supervision of investment required competent human resource in both insurance undertakings and government supervisory offices.

10. Finally, he emphasized that recommendations for technical cooperation activities should be matched with commitments for financial support.

Chapter I

REVIEW OF CRITICAL AREAS WITH REGARD TO INSURANCE LEGISLATION, REGULATION AND SUPERVISION

(Agenda item 3)

PROBLEMS FACED BY DEVELOPING COUNTRIES AND COUNTRIES IN TRANSITION IN THE AREA OF INSURANCE AGAINST CATASTROPHE PERILS

(Agenda item 4)

REVIEW OF PROGRESS MADE ON THE WORK PROGRAMME, IN THE CONTEXT OF PARAGRAPH 76 OF THE CARTAGENA COMMITMENT

(Agenda item 5)

11. For its consideration of these agenda items, the Standing Committee had before it the following documentation:

"Establishment of effective insurance regulatory and supervisory systems - study by the UNCTAD secretariat" (TD/B/CN.4/52) (agenda item 3);

"Regulation and supervision of insurance operations: analysis of responses to a questionnaire and possible elements for establishing an effective supervisory authority - background information by the UNCTAD secretariat" (UNCTAD/SDD/INS/10) (agenda item 3);

"Report of the Expert Group on Insurance Supervision and regulation" (UNCTAD/SDD/INS/12) (agenda item 3);

"A summary of the major components and structures for catastrophe insurance schemes - study by the UNCTAD secretariat" (TD/B/CN.4/54) (agenda item 4);

"A ten-country analysis of catastrophe exposure, insurance sector and country financial capacity to bear risk - background document by the UNCTAD secretariat" (UNCTAD/SDD/INS/8) (agenda item 4);

"Comparative examples of existing catastrophe insurance schemes" - background document by the UNCTAD secretariat" (UNCTAD/SDD/INS/11) (agenda item 4);

"Review of activities of the secretariat pertaining to the work programme - report by the UNCTAD secretariat" (TD/B/CN.4/53) (agenda item 5).

12. The **Chief of the Insurance Programme** said that the global economy presented an infinite number of problems related to the distribution and management of risks resulting from movements of goods and capital. Insurance was a necessary instrument for many developing country entrepreneurs if they were to capture some of the multiple opportunities that global trade and investment offered. Insurance was therefore a key to developing countries' participation in global trade.

13. With regard to the work programme, an analysis of the progress achieved under the general headings of promoting transparency and fostering competitive services indicated that the Standing Committee had fulfilled its mandates. With regard to agenda item 3, the main focus of the secretariat's documentation was the establishment of effective supervision to ensure the financial stability and long-term viability of insurers in the context of privatization and liberalization. Concerning item 4, the secretariat's reports provided an illustration of information which had to be gathered before catastrophe insurance could be implemented. Under item 5, the documentation reviewed issues not included under items 3 or 4, such as credit insurance and the financial implications of agricultural insurance. It also suggested possible areas for future work.

14. Finally, she pointed out that the secretariat had been unable to satisfy certain technical cooperation requests due to a shortage of funding. The establishment of a trust fund that would allow long-term planning and targeting of needs would be helpful in that respect.

15. The representative of **Spain**, speaking of behalf of the **European Union**, said that, for the insurance market to evolve in developing countries and countries in transition, priority had to be given to the establishment of effective control and legal systems, including suitable authorization requirements, appropriate measures on solvency and technical provisions, specific measures for the correct management of insurance companies and the practical organization of staff, the progressive liberalisation of the market and accelerated programmes to privatize and dismantle monopolies, all aimed at enhanced consumer service and protection. Account also

had to be taken, according to the degree of development and modernisation of each market, of the need to establish processes for prior control of tariffs and products by the public authorities. The European Union would be intensifying its efforts along these lines, concentrating its activity on matters where it enjoyed a comparative advantage.

16. The UNCTAD study on catastrophe insurance clearly stated that much of the basic data necessary for the development of insurance mechanisms already existed in many countries, but this information had not yet been fully brought together and was not easily accessible, which was essential to define the dimensions and features of the schemes to be implemented. Emphasis had to be given to the urgent need to find solutions to the economic and human consequences arising from the occurrence of catastrophic events, particularly if predictions concerning climatic change and increases in the frequency and intensity of disasters were fulfilled; such events had recently very seriously compromised the capacities of insurance markets and national budgets, even in highly developed countries. The urgency in introducing minimal basic schemes not only arose from the spectacular increase in loss frequencies but was also closely linked to the priority objective of "safe development", including sustainable development and environmental protection. The European Union had valid references in this area in terms of highly developed systems and of others recently introduced, and it was keen to demonstrate its willingness to participate in cooperation programmes.

17. As to the programme of work, he particularly applauded the statistical analysis carried out on insurance and reinsurance operations and the examination of events in the insurance and reinsurance fields. The first of these had to continue in order to analyze trends in insurance sectors, since it was not enough just to examine the situation at one point in time. The Committee had to base its work on documents providing a precise, up-to-date and detailed view making it possible to measure the progress in the markets concerned and so to accelerate their development. It would likewise be excellent if the establishment of the proposed electronic database could be made a reality, along with cooperation with other organisations such as EUROSTAT and OECD.

18. The Committee had to continue to ensure high standards in terms of both the quality and focus of its discussions. He thought it appropriate to continue the study of specific aspects which would contribute to the knowledge and development of the insurance industry and to take up matters tabled by the secretariat or any

other of interest to the Committee. Finally, he reminded the secretariat of the need for documents to reach delegations in due time and in the official languages.

19. The representative of **Chile** said that a regulatory system should play the dual role of protecting the interests of policy-holders and ensuring the security of the insurance market. In addition, the regulatory system should contribute to the growth and development of the insurance industry, and to this end there must be adequate policies based on the two supporting pillars of solvency and transparency.

20. In Chile, the liberalisation of the insurance market had required adjustments to be made in the relevant legislation. No longer involved in rate settings, insurance legislation now concentrated on strengthening solvency through initial capitalisation requirements, ensuring investors had sufficient financial resources. Measures had also been taken in relation to the maintenance of technical reserves and shareholders' funds, as well as in respect of eligible assets. Insurance companies' investment policies had to comply with the legislative framework. The capital structure of insurance companies was also regulated, with maximum permitted gearing ratios. Life and non-life insurance operations and funds had to be maintained as separate entities. As asset and liability management became daily more complex, other relevant regulations relating to financial markets and new financial instruments also came into play.

21. The Chilean market had benefited from well developed transparency, with public quarterly reporting of results and public registers of insurance policies, insurers, brokers and foreign insurers. All changes had to be notified immediately to the authorities, and the public had access to all available information. The use of independent auditors and insurers' rating agencies contributed to the growth of transparency.

22. The expansion of life insurance and pension funds had to be a major reason for the growth of the Chilean capital markets, as pensions and social security had been transferred from the public to the private sector. They were now the main capital providers, and as a result of the stimulation of the growth of its capital markets, Chile was now less dependent on foreign capital and less affected by international financial crises.

23. The data available on the insurance sector in Chile demonstrated the very significant growth of the sector since deregulation during the period 1980-1994, as well as of the assets and operations of pension funds and insurance companies.

24. The representative of **China** said that for many developing countries insurance was still an emerging industry, and its level of development still lagged far behind that of the insurance sector in developed countries. The developing countries therefore urgently needed wide-ranging international cooperation in order to raise their level of insurance management, improve their ability in insurance operations, and enhance the quality of their insurance personnel. The direction taken by UNCTAD in developing technical assistance and exchange of experience in the field of insurance was certainly a welcome one.

25. With regard to his country, the insurance industry in China was a late-starter where the basic structure of an insurance market had barely taken shape and consisted of single-ownership state companies, limited-liability corporations and foreign-capital companies. In order to strengthen and perfect its control over the insurance market, China had recently promulgated its first insurance legislation, which took into account international insurance practice as well as the specifics of China's insurance industry, with emphasis on the monitoring of solvency requirements and regulation of market behaviour.

26. China regarded catastrophe insurance as an important means of defense against natural disasters, and in view of the ongoing changes in China's insurance industry, was prepared to borrow useful experiences in the field of catastrophe insurance from all countries and regions in order to develop a form of catastrophe insurance particularly suited to China.

27. He recognized that much work had been done by UNCTAD in the field of insurance since the inception of the Committee, and UNCTAD, as the only organ within the United Nations system entrusted with the task of research and technical cooperation in insurance, should continue and strengthen its work in this area. The recommendation by the secretariat to establish an insurance trust fund for the financing of future projects deserved support.

28. With regard to a future work plan, three areas should be emphasized. Firstly, training of personnel: to varying degrees, the insurance industry in developing countries suffered from lack of expertise, and the Committee could formulate concrete plans to enlist insurance specialists from various countries to

train insurance personnel from developing countries. Priority could be given to training inspectors for assessing flood damage, inspectors for insuring construction projects and legal personnel for the settlement of insurance claims. Secondly, cooperation for the development of insurance policies: the development of policies was an important task in the insurance industry. The Committee could develop or compile samples of policies in some major insurance categories such as floods, fire and construction, for use as reference by members. It could also hold workshops for the exchange of experiences on these subjects. And thirdly, insurance of major projects: with the development of the national economy and increasing foreign investment in developing countries, the number of major projects in these countries had also continuously increased. Many countries still lacked experience and knowledge in fields such as how to determine appropriate premiums, how to arrange for reinsurance, etc. The Committee could strengthen exchanges, coordination and cooperation in this area.

29. The representative of **Jordan** gave a brief overview of changes in his country's insurance regulations and legislation from 1950 to 1995, followed by a description of the present market structure. With regard to the work of the Standing Committee, more attention could be given to the particular problems of developing countries in the context of catastrophe insurance. Concerning the discussion on regulation and supervision, fraud was a problem, as well as legal mistakes committed within the framework of insurance practice. Sometimes policies themselves were legally flawed. This, together with the low purchasing power of the majority of the population in developing countries, represented a real hindrance to the faster growth of insurance markets.

30. The representative of **Egypt** gave a short account of the development of the insurance industry in his country, where the first national insurance company, which was also the first one for Africa and the Middle East, had been founded in 1900. The first national Egyptian reinsurance company had been established in 1957, and in 1961 all insurance companies had been nationalised and their number reduced through the incorporation of smaller companies into the bigger ones. In 1974, in the first phase of the opening up of the economy, foreign insurance companies had been permitted to operate in the economic free zone. In 1980 the law had been amended to allow private ownership of insurance companies; they had, however, to be completely Egyptian owned. The insurance law had been amended again in 1995 and now permitted foreign ownership of 49 per cent of the capital of direct insurance companies and 100 per cent of reinsurance companies.

31. While formerly a system of controlled tariffs had been used, this had now been replaced by a commission responsible for the regulation and supervision of the insurance industry; the commission had the power to liquidate insolvent or mismanaged companies which did not observe the rules. The same was the case for reinsurance. Foreign companies could now operate in Egypt provided they were registered with the supervisory authority.

32. The representative of the **African Insurance Organisation** (AIO) recognized the important support UNCTAD's Insurance Programme had given to developing countries, especially in Africa, over the last 30 years. The continuation of this programme was vital to Africa, since insurance was an important vehicle for development, as well as for promoting international trade. UNCTAD's role had become particularly important, as it was the only body in the United Nations system that provided expertise and assistance to developing countries in the field of insurance.

33. With regard to a future work programme, Africa needed UNCTAD's support in five areas. Firstly, in respect of agricultural insurance, a project proposal on a Regional Agricultural Insurance Programme had been prepared in collaboration with UNCTAD, and it should be realized in the next two years. Secondly, in human resources development, a proposal for a Regional Education and Training Programme had been submitted to UNCTAD which aimed at capacity-building at the national, subregional and regional levels. Thirdly, life insurance could play a key role in promoting savings to finance development needs, and UNCTAD had an important role to play in this area. Fourthly, in the field of catastrophe insurance, risk mapping was an essential feature in managing catastrophic risks in the developed world, and Africa needed to do its share in this regard. A dialogue had been started with UNCTAD to help launch a regional project on risk mapping. And fifthly, the Insurance Programme had requested countries and Governments to pledge financial support for its work programme, which was primarily aimed at trade promotion through the creation of competitive insurance markets in developing countries: he pledged to make a financial contribution to the Insurance Programme to enable it to continue its activities in that respect.

Chapter II

ORGANIZATIONAL MATTERS

A. Opening of the session

34. The third session of the Standing Committee on Developing Services Sectors: Insurance was opened by Mr. Fernando Jaime Moscoso Salmon (Bolivia), Chairman of the Standing Committee at its second session.

B. Election of Officers

(Agenda item 1)

35. At the opening plenary meeting of its third session, on 13 November 1995, the Standing Committee elected its bureau as follows:

Chairman:	Mr. Jean-Louis Bellando	(France)
Vice-Chairmen:	Ms. Monica Caceres Ubilla	(Chile)
	Ms. Isabel Corona	(Spain)
	Mr. M. Kanapathipillai	(Sri Lanka)
	Mr. Mohammed Kari	(Nigeria)
	Mr. Boguslaw Sosnowski	(Poland)
Rapporteur:	Mr. Edo Syarifuddin	(Indonesia)

C. Adoption of the agenda and organization of work

(Agenda item 2)

36. The Standing Committee then adopted its draft provisional agenda (TD/B/CN.4/51), as follows:

1. Election of officers
2. Adoption of the agenda and organization of work

3. Review on critical areas with regard to insurance legislation, regulation and supervision
4. Problems faced by developing countries and countries in transition in the area of insurance against catastrophe perils
5. Review of progress made on the work programme, in the context of paragraph 76 of the Cartagena Commitment
6. Other business
7. Adoption of the report of the Standing Committee, Insurance, to the Trade and Development Board.

D. Other business

(Agenda item 6)

[To be completed, as appropriate]

E. Adoption of the report of the Standing Committee, Insurance, to the Trade and Development Board

(Agenda item 7)

[To be completed]